MARKETING FOR PROFESSIONALS INC.

RETAIL MARKET OPPORTUNITY ANALYSIS:

CITY OF LOMA LINDA

(A Summary Report)

Prepared for: **Economic Development Department**
City of Loma Linda

September 28, 1999

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INTRODUCTION:

The summary information that is included on the following pages is being provided in response to a request by the City of Loma Linda to provide a Retail Market Opportunity Analysis for the City. This resulting document is intended to evaluate the existing retail base in Loma Linda, project the additional taxable retail sales revenue potential for the area, and identify the specific categories of retail businesses that not only are needed in Loma Linda, but that have the best opportunity for actually being recruited into the area.

Although the subject involved is fairly broad, after some discussion it became clear that there were some specific objectives that were most important in this project. We arrived at four basic objectives, which were detailed and agreed upon in our Memorandum of Understanding dated June 30, 1999:

1. To provide an independent assessment of the overall potential for taxable retail store sales in the City of Loma Linda, , both on an overall basis and by specific retail store category.

2. To evaluate the present retail store mix in Loma Linda, both in relation to primary market area needs and the existing "close in" competition.

3. To provide recommendations on the type of retail development most appropriate for recruiting to the City of Loma Linda, both on an overall basis and by city "sub area".

4. A final objective involved putting together a listing of specific retail stores that, consistent with community social and cultural values, have the greatest potential for actually being recruited into certain parts of the City of Loma Linda.

It was agreed that although the focus of this written report was to be on retail store enhancement and development, Marketing for Professionals, Inc. would be available, on an informal basis, to discuss other aspects of economic development and to comment on the City's overall approach to business recruitment.

When we got into this project, we came upon some items that partially changed not only how we approached the work to be done, but also how the final report was written. We have, for example, added some information and comments on subjects that were clearly outside of our original charge. We have, also, in our "concluding comments" section, made a number of editorial comments pertaining to the City of Loma Linda in general and its present approach and attitude towards development overall and retail development and enhancement, specifically.

We found and developed a substantial amount of information from which we worked. Much of the observatory information was gathered in a number of "on site" days spent in various parts of the market during the report development period. We talked with a variety of city officials, business leaders and merchants in the City of Loma_Linda. In addition, we "walked" each of the significant retail sub-areas at least twice and actually "shopped" most of the stores.

In preparing this document we utilized existing secondary research as well as materials that were made available to us by the City of Loma Linda. In addition, we purchased some supplementary demographic and market studies. Finally, we utilized proprietary information from the files of Marketing for Professionals, Inc. We feel comfortable not only with the amount of information that was developed, but also with the fact that the key information points that were utilized for our recommendations were validated, in most cases, by multiple research sources.

Finally, we must emphasize that this report represents only a summary of the work that was done . . . and is meant for further discussion by council members and other civic officials. Included are some "items for consideration" that are not definitive recommendations but, rather, are items which should be reviewed and discussed by City officials as well as other interested parties.

EXECUTIVE SUMMARY

The population growth in San Bernardino County, which a few years ago exceeded the statewide average has slowed down considerably. The City of Loma Linda's estimated growth has been even less, with an estimated growth of just .23% between January 1, 1998 and January 1, 1999 compared to the statewide growth percentage of 1.65% for the same period according to figures supplied by the State Department of Finance.

Contrary to popular belief, the City of Loma Linda is not populated primarily with middle-class professionals. Although many of these professionals work in Loma Linda, a fairly large number of them live outside the Loma Linda city limits. In terms of median household income for residents, the figures for the City of Loma Linda are about 13% lower than the California statewide average. According to the most reliable estimates available, a full 31% of the households within the city limits have a household income of less than $25,000. These figures are particularly important in terms of assessing the types of retail stores that are most needed and those that have the greatest opportunity for success.

The taxable retail store sales deficiency in Loma Linda is quite large. In 1997 (the last full year for which comparative sales data is available) we estimate that Loma Linda had a taxable retail store sales "gap" (or leakage) of slightly over $53,000,000. What this means is that if the residents in the community had been able to purchase what they needed and/or wanted within Loma Linda, there would have been additional taxable retail store sales of over $53,000,000. It also means that the City of Loma Linda would have had an increase of sale tax revenue of over $530,000.

Although virtually every retail store merchandise category is under represented in the City of Loma Linda, the general merchandise, apparel, eating establishment, hardware/building material, home furnishings, and food store categories are particularly deficient. The City can easily support more retail stores in these categories. In most cases the volume will come from local residents but, in some cases, it will come from some of the higher income individual working in the City who live elsewhere. More detail on the size and specifics of these category deficiencies is provided in the body of this report.

The one category of taxable retail stores where the City of Loma Linda is not under represented is in auto dealers and auto supplies. The overwhelming majority of this business comes from auto dealers and not from auto supply stores (where the City is actually deficient). Nearly 50% of the taxable retail store volume for the City of Loma Linda comes from this category. This is about twice the proportion you would expect in an average city in California.

This high proportion of auto-related taxable sales has a potential for both positive and negative long-term effects. There is, of course, the potential for building on this concentration of auto dealers and developing an even larger, more dominant, auto dealership area . . . which could bring in even more sales tax revenue, much of it from consumers who live outside Loma Linda. There is also, however, the risk that some of these dealerships could be lured away to some other City with various trade incentives. Because, for the time being, Loma Linda is so dependent on this auto-related sales tax revenue, we strongly recommend that the City do all that is reasonably possible to make the business climate for these dealerships a favorable one.

The Loma Linda University & Medical Center, along with related medical and educational entities, provides, by far, the largest source of employment for those residents who work in the City. The Loma Linda University & Medical Center also owns and operates several retail businesses which, although patronized largely by University and Medical Center personnel and "close by" residents, have to be considered as part of the overall City of Loma Linda retail store mix. In that respect, any obvious voids or deficiencies that may exist in the offerings of the University/Medical Center retail shops have an impact on the total retail mix for the City. It is obvious, therefore, that the City of Loma Linda and the University/Medical Center administration need to work more cooperatively if a viable, resident-satisfying, tax-enhancing retail store base is to be developed in Loma Linda.

Whether the perception is completely valid or not, many business operators and potential developers view the City of Loma Linda as being "anti business". The absence of most national and regional retailers that would seem to be logical for the community seems to reinforce that image. The same is true for the comparatively large number of vacancies in existing neighborhood and strip centers. Outsiders look at these vacancies and wonder why, if there really are opportunities for additional retailing, these vacancies have existed so long.

The City of Loma Linda is at a point where it has to make some fundamental decisions as to where it wants to go in terms of retail store development. The good news is that there are potential opportunities for adding a wide variety of retail stores which have a good chance for succeeding in the community. The City is also not severely restricted in terms of potential locations for these stores. Locations exist, both in the present vacant retail spaces and in "build out" locations that are already zoned for commercial purposes. The less-than-positive news is that because of certain restrictions and what is being perceived as acceptable and unacceptable retail for the community, the City of Loma Linda is not being considered a prime location for expansion by some of the retailers that might be appropriate for serving the needs of the community.

When we were gathering information for this report we had a feeling that many community leaders were not fully aware of the City's actual negative retail condition and how difficult it would be to reverse under existing policies. Since a good deal of this discussion falls into the category of "informed judgment" rather than absolute fact, we expanded our thoughts in this respect at the end of this report in our "Concluding Comments" section. We strongly recommend that the City Council read these comments and recommendations carefully and then make some definite decisions on how it wants to proceed in retail development . . . with a full understanding of the consequences of their actions.

THE OVERALL MARKET

As one of the larger counties in the rapidly growing Inland Empire, San Bernardino County experienced a rapid growth pattern in the late 80's and early 90's. Recently, however, population growth has slowed down considerably. While the State of California's population grew 1.65% between January 1, 1998 and January 1, 1999, San Bernardino County's population growth was only 1.38%. According to the State Department of Finance, the population for San Bernardino County was an estimated 1,654,000 as of January 1, 1999.

The City of Loma Linda, which has been virtually flat in population growth the last few years, had only an estimated growth of 0.23% between January 1, 1998 and January 1, 1999. According to the State Department of Finance, with an estimated population of 21,550 as of January 1, 1999, the City of Loma Linda ranks 17th in the list of 24 incorporated cities in San Bernardino County.

The majority of the jobs in the City are in three fields: Health Care, Education, and Government. The Loma Linda University and Medical Center, with related medical and educational entities, is by far the largest employer in the community, employing an estimated 40%+ of the working adults in the community. If we exclude medicine, education, government, and the utility companies, there are no individual private companies that could be considered major employers (over 200 employees) in the City.

Although unemployment in San Bernardino County has sometimes been somewhat higher than the statewide average, unemployment in Loma Linda has traditionally been fairly low. Again, even though public assistance rates in San Bernardino County have recently been higher than statewide average, the public assistance rates in the City of Loma Linda have been comparatively low. According to the Labor Market Information Division of the State Employment Development Department, the City of Loma Linda has a lower percentage of its residents receiving Aid to Families with Dependent Children and food stamps than the statewide average.

Even though there is a fairly high proportion of middle-and-upper-middle class professionals working in Loma Linda, the demographic mix for the residents living in the area is not so good. Many of the professionals who work in the City live elsewhere. In terms of median household income for residents, the number is around $38,892. This compares with a State of California median household income of $44,760 . . . or about 13% less than the Statewide average. The $38,892 household median is for the overall City of Loma Linda, with individual resident pockets being higher or lower. The residents within a five mile radius around the Medical Center, for example, have a median household income of only $32,675. The median age for Loma Linda residents is a little over 33 years of age, which is almost exactly the same as the Statewide average.

In terms of income "clustering" it is interesting to note that about 9% of the Loma Linda households could be categorized as "high" income households with median household incomes of over $100,000 . . . compared with 13% in the State of California. On the other hand about 31% of the households in Loma Linda could be categorized as "lower" income households with median incomes of less than $25,000 . . . compared with a Statewide average of 25%.

When retailers typically look at an area for potential expansion, they usually review the key demographic factors of the residents of the community they are examining in relation to other alternative communities. Some of these key demographic variables are not particularly favorable in Loma Linda. More detailed breakdowns of some of these demographic statistics are included on the pages that follow.

Population Figures

Area	Jan 1998	Jan 1999	1998-99 % change	Numeric change
State of California	33,226,000	33,773,000	1.65%	547,000
San Bernardino County	1,631,500	1,654,000	1.38%	22,500
City of Loma Linda	21,500	21,550	0.23%	50
City of Redlands	66,400	66,900	0.75%	500
City of San Bernardino	183,600	185,000	0.76%	1,400
City of Ontario	144,700	145,900	0.83%	1,200

Source: *Population Estimates for California Cities and Counties*

Demographic Research Unit - State Department of Finance

CACI

Demographic and Income Forecast

Loma Linda, CA		Site Type:	Geographic area
Snapshot	**1990 Census**	**1999 Update**	**2004 Forecast**
Population	17,400	21,428	23,198
Households	6,021	7,631	8,325
Families	4,029	4,925	5,249
Average Household Size	2.60	2.62	2.62
Owner-occupied HHs	2,759	3,182	3,494
Renter-occupied HHs	3,262	3,929	4,193
Median Household Income	$33,265	$38,892	$49,505
Average Household Income	$43,911	$55,110	$75,454
Per Capita Income	$15,365	$19,881	$27,334
Median Age	31.1	33.3	34.1

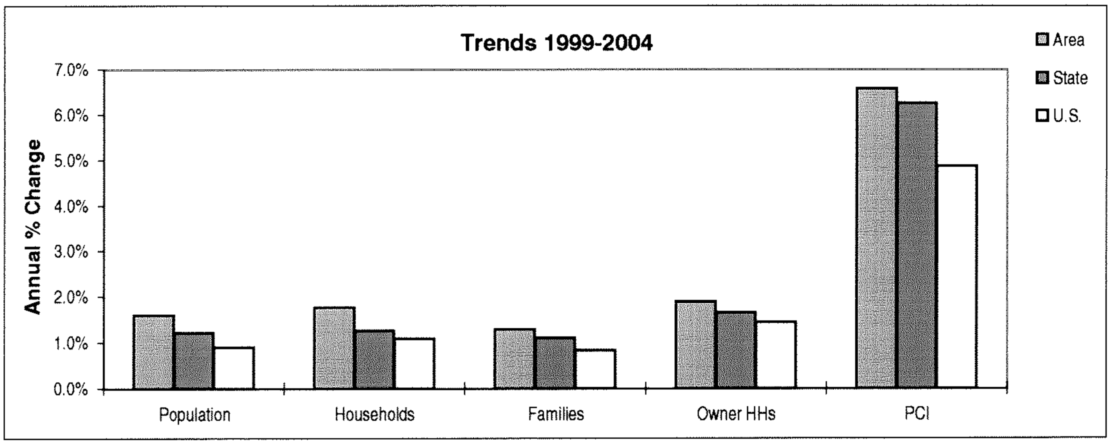
	Annual Percent Change for 1999-2004		
Trends	**Area**	**State**	**National**
Population	1.60%	1.22%	0.91%
Households	1.76%	1.26%	1.09%
Families	1.28%	1.10%	0.83%
Owner HHs	1.89%	1.65%	1.44%
Per Capita Income	6.57%	6.25%	4.87%

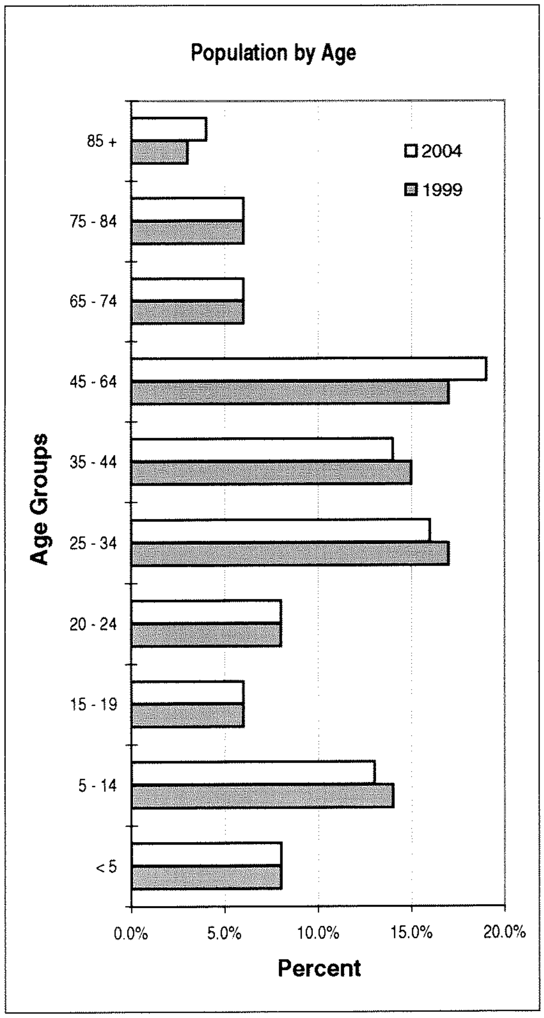
	1990 Census		1999 Update		2004 Forecast	
Households by Income	Number	Percent	Number	Percent	Number	Percent
< $15,000	1,211	20%	1,212	16%	831	10%
$15,000 - $24,499	1,000	17%	1,153	15%	848	10%
$25,000 - $34,999	894	15%	1,025	13%	962	12%
$35,000 - $49,999	1,101	18%	1,501	20%	1,565	19%
$50,000 - $74,999	958	16%	1,396	18%	1,824	22%
$75,000 - $99,999	441	7%	596	8%	940	11%
$100,000 - $149,999	235	4%	483	6%	817	10%
$150,000+	134	2%	265	3%	537	6%
Population by Age						
< 5	1,458	8%	1,795	8%	1,854	8%
5 - 14	2,154	12%	2,963	14%	3,117	13%
15 - 19	915	5%	1,238	6%	1,356	6%
20 - 24	1,699	10%	1,692	8%	1,963	8%
25 - 34	3,740	21%	3,605	17%	3,607	16%
35 - 44	2,364	14%	3,291	15%	3,270	14%
45 - 64	2,647	15%	3,579	17%	4,391	19%
65 - 74	1,109	6%	1,305	6%	1,370	6%
75 - 84	852	5%	1,220	6%	1,369	6%
85+	462	3%	742	3%	902	4%
Race and Ethnicity						
White	11,150	64%	11,442	53%	11,522	50%
Black	1,108	6%	1,314	6%	1,382	6%
Asian/Pacific Islander	3,726	21%	5,956	28%	6,946	30%
Other Races	1,416	8%	2,717	13%	3,346	14%
Hispanic (Any Race)	2,365	14%	4,356	20%	5,360	23%

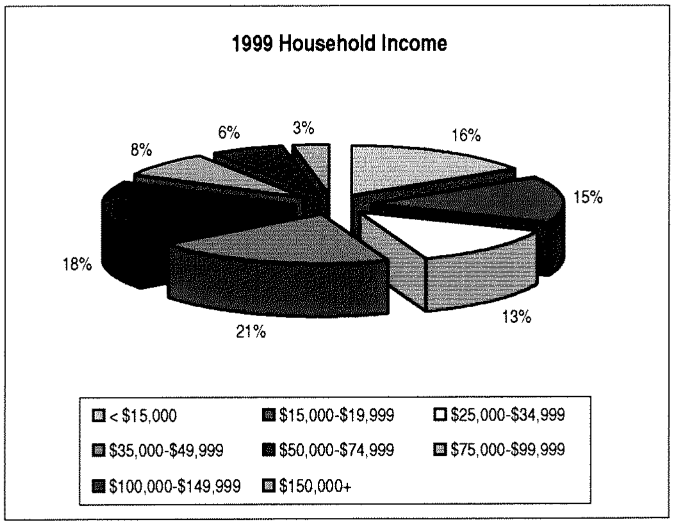
Sources: 1990 Census of Population and Housing; CACI Forecasts for 1999/2004. Income is expressed in current dollars.

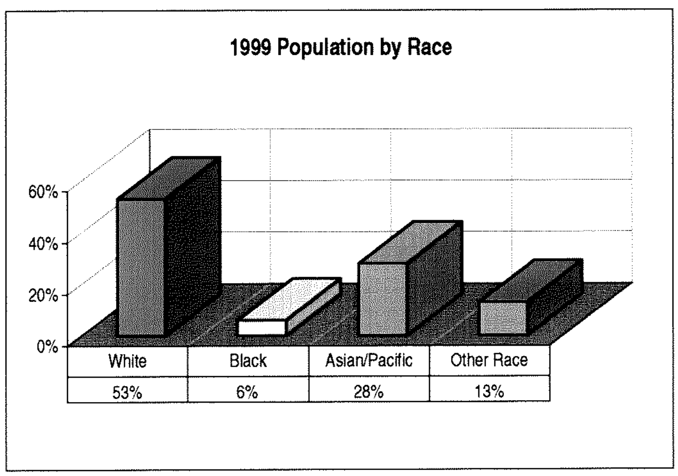
Demographic and Income Forecast

Loma Linda, CA **Site Type:** **Geographic area**









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Demographic and Income Forecast

Loma Linda, CA		**Latitude:**	**34.052100**
University Ave & Campus St		**Longitude:**	**-117.265900**
0-5 Miles	**Site Type:** Circle	**Radius in Miles:**	**5.00**

Snapshot	**1990 Census**	**1999 Update**	**2004 Forecast**
Population	153,155	175,217	186,059
Households	50,949	58,905	62,706
Families	35,431	40,524	42,812
Average Household Size	2.90	2.89	2.89
Owner-occupied HHs	23,344	28,031	30,347
Renter-occupied HHs	27,577	30,874	32,359
Median Household Income	$26,721	$32,675	$42,138
Average Household Income	$33,964	$42,277	$56,343
Per Capita Income	$11,633	$14,482	$19,267
Median Age	28.1	29.1	29.4

	Annual Percent Change for 1999-2004		
Trends	**Area**	**State**	**National**
Population	1.21%	1.22%	0.91%
Households	1.26%	1.26%	1.09%
Families	1.10%	1.10%	0.83%
Owner HHs	1.60%	1.65%	1.44%
Per Capita Income	5.88%	6.25%	4.87%

	1990 Census		**1999 Update**		**2004 Forecast**	
Households by Income	Number	Percent	Number	Percent	Number	Percent
< $15,000	14,340	28%	12,922	22%	9,531	15%
$15,000 - $24,499	9,729	19%	9,367	16%	6,955	11%
$25,000 - $34,999	8,317	16%	9,056	15%	8,547	14%
$35,000 - $49,999	8,527	17%	11,455	19%	12,358	20%
$50,000 - $74,999	6,466	13%	9,489	16%	13,220	21%
$75,000 - $99,999	2,330	5%	3,539	6%	5,740	9%
$100,000 - $149,999	954	2%	2,202	4%	4,394	7%
$150,000+	490	1%	868	1%	1,954	3%
Population by Age						
< 5	16,177	11%	18,727	11%	19,199	10%
5 - 14	25,129	16%	31,342	18%	32,499	17%
15 - 19	10,523	7%	12,677	7%	13,703	7%
20 - 24	14,409	9%	13,014	7%	14,922	8%
25 - 34	31,645	21%	28,448	16%	28,084	15%
35 - 44	20,483	13%	25,980	15%	25,420	14%
45 - 64	20,843	14%	27,426	16%	33,121	18%
65 - 74	7,589	5%	8,495	5%	8,816	5%
75 - 84	4,602	3%	6,443	4%	7,090	4%
85+	1,755	1%	2,666	2%	3,204	2%
Race and Ethnicity						
White	96,096	63%	100,516	57%	102,424	55%
Black	13,416	9%	14,074	8%	14,241	8%
Asian/Pacific Islander	10,766	7%	15,690	9%	17,915	10%
Other Races	32,876	21%	44,937	26%	51,478	28%
Hispanic (Any Race)	58,188	38%	79,992	46%	91,715	49%

Sources: 1990 Census of Population and Housing; CACI Forecasts for 1999/2004. Income is expressed in current dollars.

 Aug. 18,1999

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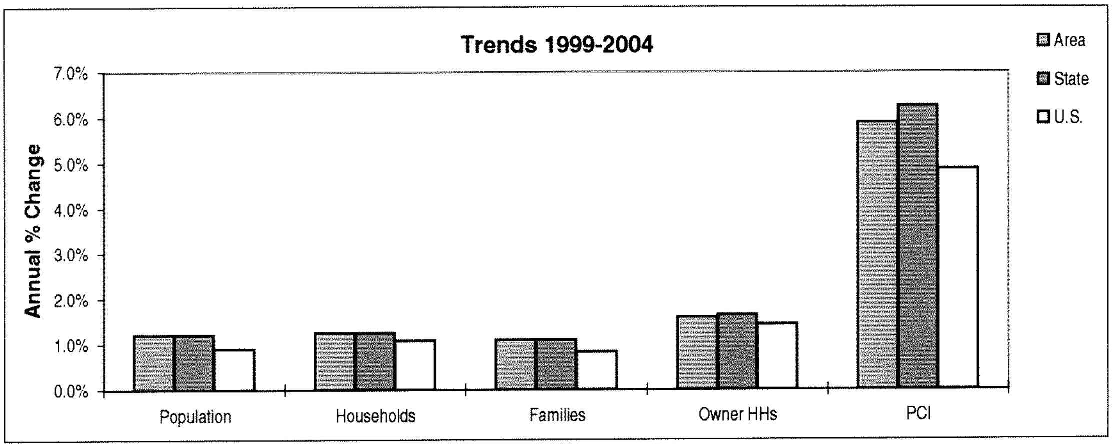
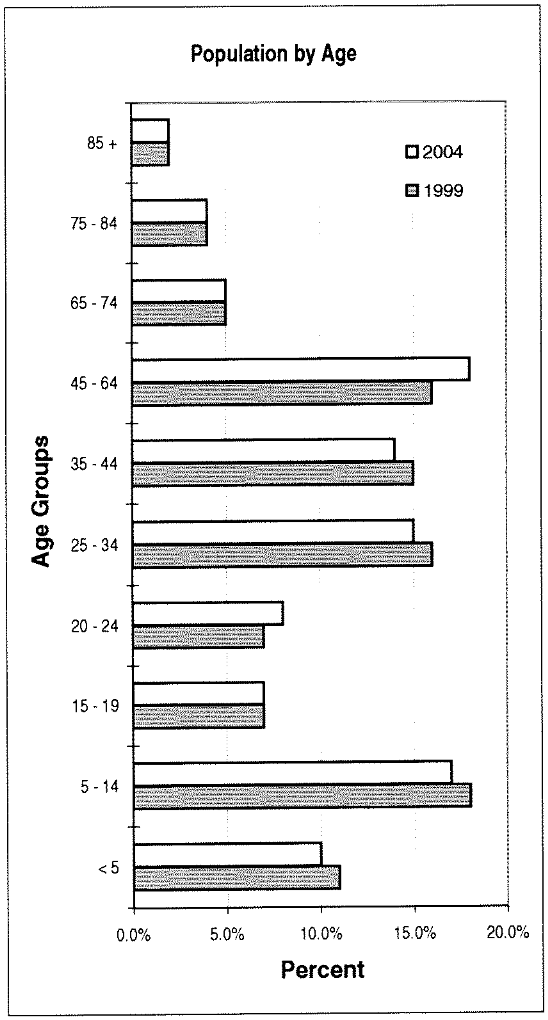
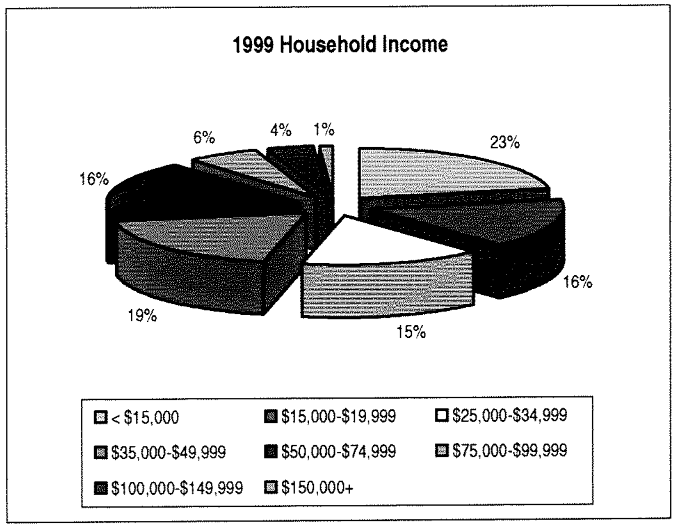
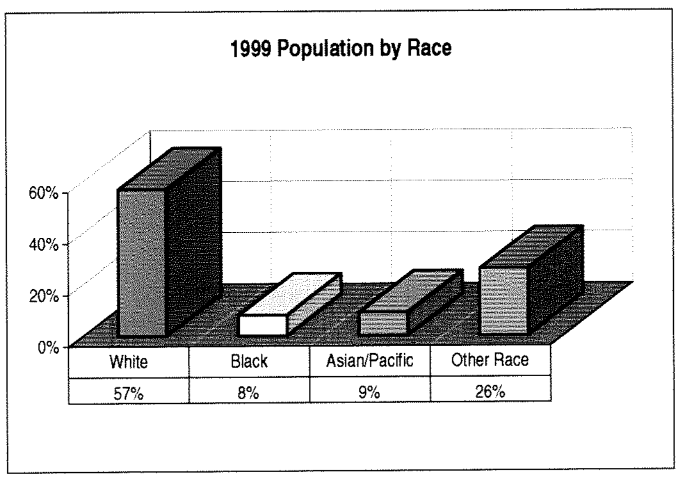
Demographic and Income Forecast

Loma Linda, CA		Latitude:	34.052100
University Ave & Campus St		Longitude:	-117.265900
0-5 Miles	Site Type: Circle	Radius in Miles:	5.00









Loma Linda, CA University Ave & Campus St

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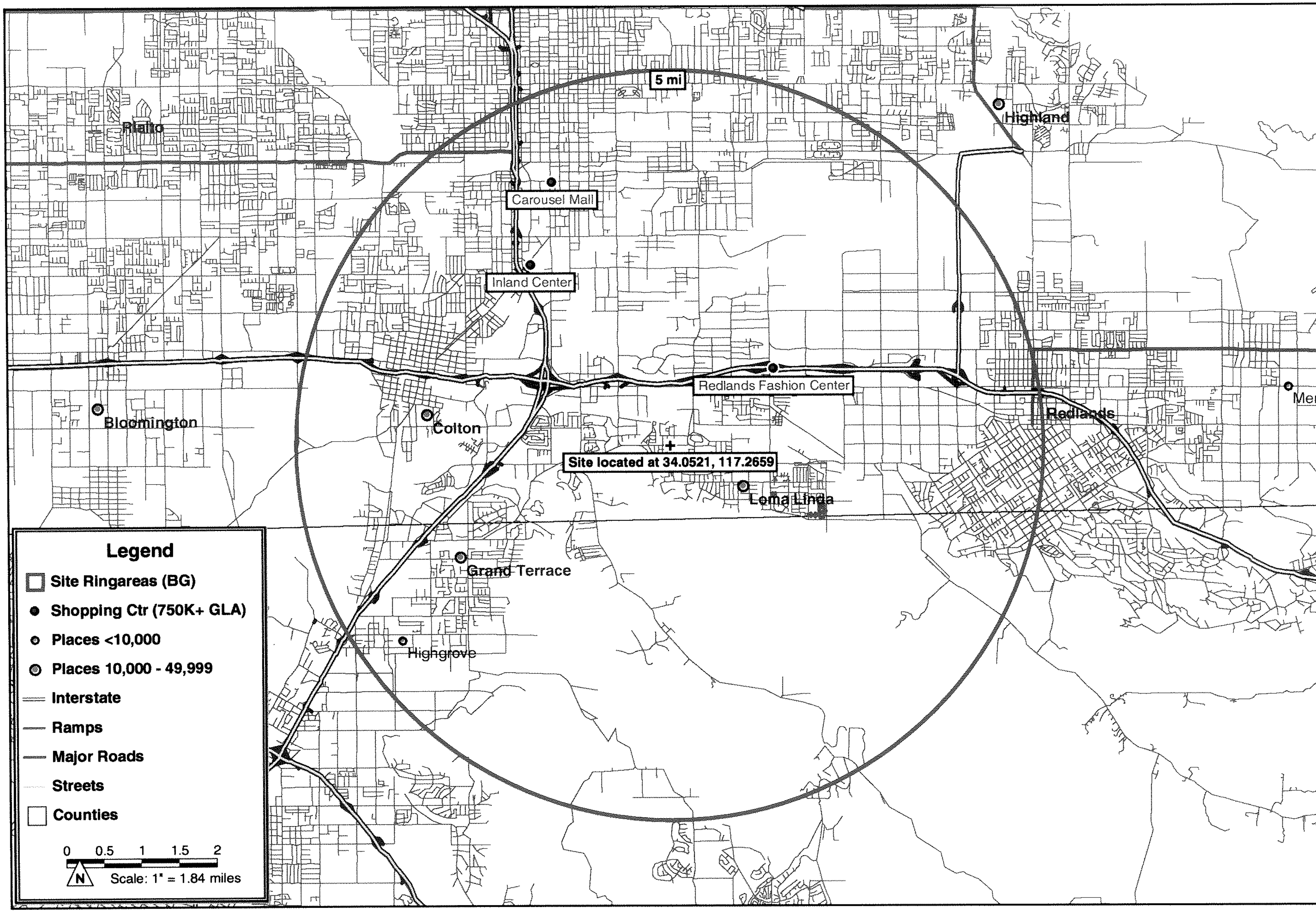

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Demographic and Income Forecast

State of California — Site Type: Geographic area

Snapshot	1990 Census	1999 Update	2004 Forecast
Population	29,760,021	33,090,214	35,155,591
Households	10,381,206	11,573,009	12,319,918
Families	7,139,394	7,884,693	8,328,414
Average Household Size	2.79	2.79	2.79
Owner-occupied HHs	5,773,943	6,713,651	7,287,529
Renter-occupied HHs	4,607,263	4,859,358	5,032,389
Median Household Income	$35,798	$44,766	$55,604
Average Household Income	$46,247	$63,381	$85,936
Per Capita Income	$16,409	$22,464	$30,420
Median Age	31.5	33.2	33.9

	Annual Percent Change for 1999-2004		
Trends	Area	State	National
Population	1.22%	1.22%	0.91%
Households	1.26%	1.26%	1.09%
Families	1.10%	1.10%	0.83%
Owner HHs	1.65%	1.65%	1.44%
Per Capita Income	6.25%	6.25%	4.87%

	1990 Census		1999 Update		2004 Forecast	
Households by Income	Number	Percent	Number	Percent	Number	Percent
< $15,000	1,969,258	19%	1,522,002	13%	1,085,402	9%
$15,000 - $24,499	1,576,520	15%	1,358,831	12%	1,032,251	8%
$25,000 - $34,999	1,530,233	15%	1,496,217	13%	1,299,944	11%
$35,000 - $49,999	1,888,147	18%	2,069,906	18%	2,013,356	16%
$50,000 - $74,999	1,909,072	18%	2,415,532	21%	2,684,828	22%
$75,000 - $99,999	792,419	8%	1,224,538	11%	1,612,500	13%
$100,000 - $149,999	475,884	5%	952,825	8%	1,551,139	13%
$150,000+	258,167	2%	531,059	5%	1,037,648	8%
Population by Age						
< 5	2,397,715	8%	2,701,827	8%	2,766,205	8%
5 - 14	4,201,325	14%	5,213,427	16%	5,403,673	15%
15 - 19	2,053,148	7%	2,289,472	7%	2,463,052	7%
20 - 24	2,510,794	8%	2,175,358	7%	2,479,140	7%
25 - 34	5,686,371	19%	5,106,567	15%	5,020,365	14%
35 - 44	4,639,321	16%	5,478,917	17%	5,362,636	15%
45 - 64	5,135,795	17%	6,442,302	19%	7,727,228	22%
65 - 74	1,857,221	6%	1,951,947	6%	2,008,041	6%
75 - 84	979,224	3%	1,308,979	4%	1,423,436	4%
85+	299,107	1%	421,418	1%	501,815	1%
Race and Ethnicity						
White	20,524,327	69%	21,158,310	64%	21,657,993	62%
Black	2,208,801	7%	2,302,429	7%	2,354,824	7%
Asian/Pacific Islander	2,845,659	10%	3,944,814	12%	4,550,122	13%
Other Races	4,181,234	14%	5,684,661	17%	6,592,652	19%
Hispanic (Any Race)	7,687,938	26%	10,685,453	32%	12,512,410	36%

Sources: 1990 Census of Population and Housing; CACI Forecasts for 1999/2004. Income is expressed in current dollars.

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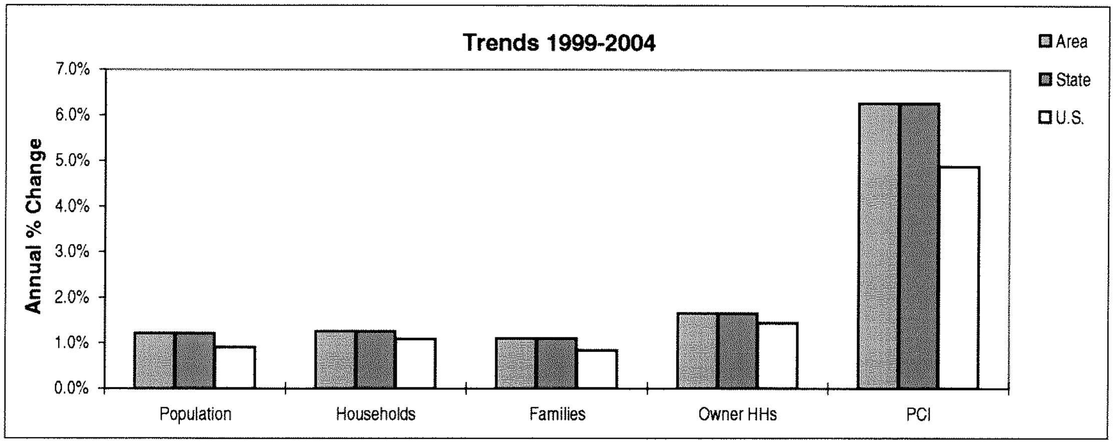
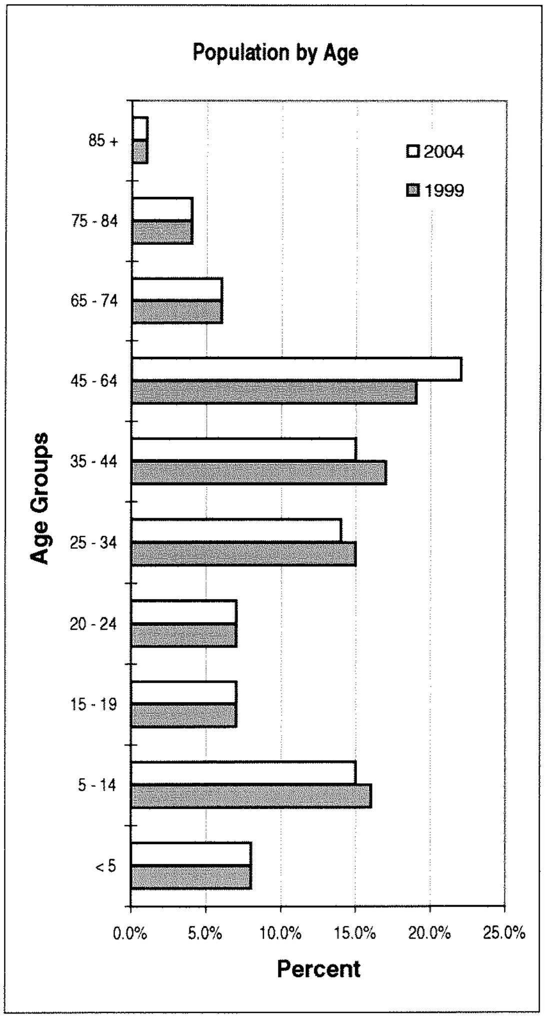
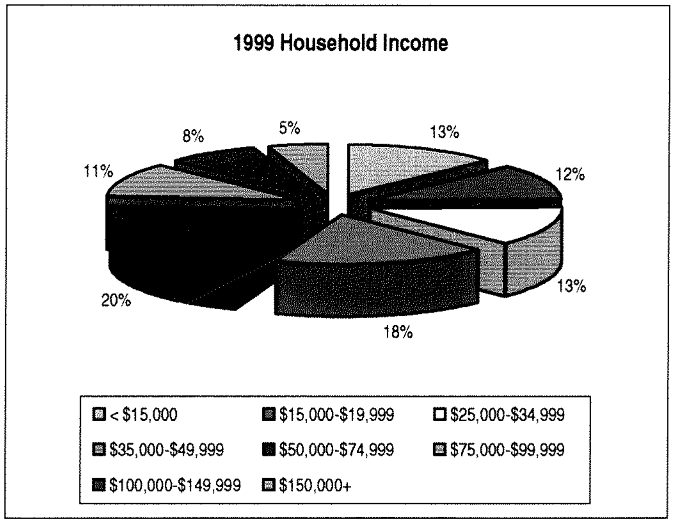
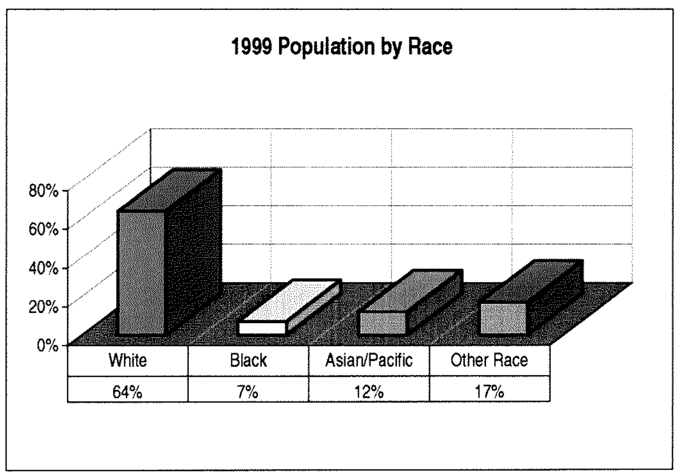
Demographic and Income Forecast

State of California **Site Type:** **Geographic area**









THE POTENTIAL FOR INCREASING TAXABLE RETAIL STORE SALES IN THE CITY OF LOMA LINDA

The amount of taxable retail store sales that any city or area receives is based primarily on four factors: (1) the population composition of the primary trade area, (2) the number and "mix" of retail stores available within the designated area to serve this primary market, (3) the number and "mix" of shopping developments outside the designated area but reasonably accessible and (4) the population and mix of individuals who regularly spend time in the designated area . . . but are not residents.

As we indicated in the previous section, the demographics of the actual residents of the City of Loma Linda are not as upscale as we might like to have in order to be of interest to a wide array of "better" retail establishments. At the same time the demographics are good enough to potentially be of interest to a number of moderate or "middle-of-the-road" retail establishments. In addition, most of the people who work in Loma Linda, but are not residents, are candidates to be retail purchasers in the City of Loma Linda if the specific stores in Loma Linda are attractive to them and/or offer them a better selection or value than they have in their own communities.

The taxable retail store sales deficiency in the City of Loma Linda is quite large. In 1997 (the last full year for which comparative sales data is available) we estimate that Loma Linda had a taxable retail sales "gap" (or leakage) of slightly over $53,000,000. This number was computed by taking the expected taxable retail store sales per capita, multiplying it by the City's population and then comparing it to actual taxable retail store sales for the period. Figures for the first three quarters of 1998 suggest that this retail store sales "gap" continues at approximately the same rate. Although this $53,000,000 "gap" assumes the right "mix" of stores being available, it represents, nonetheless, dramatic taxable retail store sales leakage. It also represents over $530,000 a year in lost sales tax revenues that are not being collected by the City of Loma Linda.

Although almost every major category of retail business is under-represented in the City of Loma Linda, there are a few categories that warrant being highlighted specifically:

The general merchandise category, which includes general merchandise chain stores, discounters and department-type stores is virtually non-existent in Loma Linda. Based upon statewide norms, there could be close to $24,000,000 in taxable retail volume available to Loma Linda <u>if</u> the City had representation in this category.

The entire apparel area seems to offer retail opportunities, particularly for retail stores specializing in moderate-priced women's, men's and children's apparel . . . as well as moderate-to-lower moderate priced shoes. Based upon statewide norms, there could be as much as a $6.5 million annual sales gap within Loma Linda in the apparel category.

Eating establishments are definitely under-represented in the City of Loma Linda. "Name Brand" moderately-priced coffee shops and casual dining establishments are not to be seen in the City. Even though there may be some community controversy regarding national "fast food" restaurants, the resident population mix, along with the "outsiders" who are in the area every day, would probably support <u>several</u> of these establishments. Again, if per-capita sales in the total eating establishment group for Loma Linda were up to the statewide average (which we think is very reasonable), it would mean over $9,000,000 in taxable retail volume per year.

Home Furnishings and Appliance Stores are virtually non-existent in Loma Linda. Although they are harder to recruit for a smaller community, they have the potential for drawing customers from a greater distance . . . as opposed to just relying on local, "close-in" customers. Again, using a California average volume-per-capita number and applying it top the population of Loma Linda would produce <u>additional</u> taxable retail store volume of almost $5,000,000 per year in this category.

There is only one major "name brand" food store in Loma Linda. Although the majority of what is sold in supermarkets is non-taxable, an increasing percentage of non-food, general merchandise is being sold in these stores. Some estimates range as high as 30% for these taxable "non-foods". As long as these stores are well-located and carry a good selection of merchandise, they can be very attractive not only to local residents, but to some of those workers who live outside Loma Linda but might shop in a premium "name" supermarket that is not easily accessible in their own community. Statistically, there is a "gap" of over $6,000,000 in taxable retail goods sold in food stores in Loma Linda. This does not include non-taxable food items that may be being purchased outside the City.

The Hardware and Building Materials category seems to offer some special opportunities for the City of Loma Linda. With a fair amount of new home building going on, as well as homeowners who have a normal amount of maintenance and landscaping to do, the City offers virtually nowhere for these residents to go to make their necessary purchases. Based upon statewide averages, the City should be able to generate over $9,000,000 in taxable retail sales in this category from residents alone . . . if they have the appropriate retail outlets.

The one category of taxable retail store sales where the City is not under-represented is in auto dealers and auto supplies. The overwhelming majority of this business comes from auto dealers and not from auto supply stores (where the City is actually deficient). **Nearly 50% of the taxable retail store sales volume for the City of Loma Linda comes from this category.** We shall discuss this unusual circumstance (and the opportunities and risks associated with it) in a later part of this paper.

In the previous paragraphs we have highlighted some of the more obvious retail store deficiencies in the City of Loma Linda and, therefore, where some of the opportunities for recruitment might exist. There are also some areas that, although they do not represent major "gaps" at this time might present some opportunities . . . either for sales tax enhancement or for better serving the citizens of the community.

There is absolutely no acceptable lodging for anyone to utilize in the City of Loma Linda. Since the City of Redlands offers little more, individuals visiting the area are forced to go to "Hospitality Lane" in San Bernardino to find a clean, moderately-priced hotel room. With the various conferences hosted by the University and Medical Center, along with the out-of-town individuals visiting longer-term patients in one of the hospitals, there certainly is a need in the general area for one or more moderately-priced hotels.

It is quite unusual for a University town not to have several book stores outside of the book store on campus. The bookstore on campus seems to be geared to providing only the "absolute needs" of the students and nothing more when it comes to books. When anyone in the City of Loma Linda wants to buy one of the New York Times fiction bestsellers they have to go elsewhere to fill their needs.

Based upon the research and analysis that was done for this project, we feel confident that there is much more taxable retail store volume that can be done in the City of Loma Linda . . . assuming that the City moves to recruit the right stores.

The table on the following page lists the specifics of some of these volume comparatives we referred to previously.

TAXABLE RETAIL STORE SALES PER CAPITA *

(Overall and for Selected Categories)

Category	State	City of Loma Linda
Total Taxable Retail Store Sales	**6592**	**4534**
General Merchandise	1108	11
Apparel	350	50 (est**)
Eating & Drinking Establishments	857	425
Home Furnishings & Appliances	292	75
Building Materials & Hardware	475	50(est**)
Food Stores	483	194
Auto Dealers and Auto Supplies	1,154	2,260

Annual volume figures computed using California State Board of Equalization sales figures for 1997, along with a review of the first three quarters of 1998 and population estimates supplied by the Demographic Research Unit of the State Department of Finance.

* **Estimate provided based upon best information available. State Board of Equalization would not provide exact sales figures because of small number of retailers in this category in Loma Linda . . . and a subsequent desire to keep the volume of these retailers confidential*

THE PRESENT CITY OF LOMA LINDA RETAIL STORE MIX

(In comparison to Neighboring Shopping Areas)

As we pointed out in the previous section, one of the major components in achieving optimum retail sales volume in any community is having both an adequate number of stores and the right "mix" of stores. Another component involves the availability of appropriate retail stores in neighboring and/or reasonably accessible shopping areas.

Southern California boasts a wide variety of shopping areas, from giant regional shopping malls to neighborhood centers and specialty shopping areas. Within a 15 mile radius of the center of Loma Linda customers have a variety of these choices . . . from a giant complex such as Ontario Mills to smaller, less diverse shopping centers such as Redlands Mall. The City of Redlands, although far from being ideal in terms of complete shopping choices, is easily accessible to most Loma Linda residents and does offer a reasonable array of retailing choices in some of the categories most deficient in Loma Linda. Given the fact that a fair number of middle-to-upper-middle class people working in Loma Linda seem to live in Redlands and we can see where a fair amount of Loma Linda's retail store "leakage" is going.

With the exception of the auto dealership area, it is hard to imagine why anyone who lives outside the City of Loma Linda would want to come into the City to do any serious shopping. Consider these factors: (1) There are no department or chain stores. (2) With the possible exception of a couple of larger health-food retailers there do not seem to be any truly distinctive and/or unique specialty stores. (3) With the possible exception of Hometown Buffet, there are no "I'll drive several miles to get there" destination restaurants. (4) There is no traditional "downtown Loma Linda" and (5) There are no customer-inviting and browse able shopping centers.

Although the preceding paragraph may seem to be overly critical of the City of Loma Linda's retail appeal and the current retail store mix, we feel the assessment (and subsequent criticism) to be well founded in today's reality.

At this time the City of Loma Linda is simply not in the position, on an overall basis, to successfully compete for a reasonable portion of the taxable retail store dollars being spent by its residents. With the exception of the Automobile Sales Complex, there is even less hope of attracting non-residents to shop in Loma Linda.

When we set out to complete this project we projected that part of what we would be doing was evaluating the current retail store "mix" and matching it with what the community would seem to support. What we found was a City with virtually nothing that could be categorized as distinctive retail and an under-representation in almost every major category. What we will be doing, therefore, is starting from what might be considered "ground zero".

In the following section we will be exploring both the potential for retail store development in the City of Loma Linda and those categories (and specific stores) that have the greatest potential for being recruited <u>at this time.</u>

THE POTENTIAL FOR RETAIL STORE ENHANCEMENT & RECRUITMENT IN THE CITY OF LOMA LINDA

(With some Specific Store Recommendations)

As we have suggested previously, some of the types of retail outlets that could do well in Loma Linda might be reluctant to locate in this area because of the look of the existing neighborhood and strip shopping areas, the relatively high percentage of vacancies and the relative absence of other name brand retailers who have located in the area. In addition to demographic profiles and availability of space, retailers do like to locate where there are already other successful retailers . . . which gives them some tangible evidence that they can succeed in the community. Not only has there been very little new retail business opening in Loma Linda the last few years, some high-visibility vacancies have been that way for a year or more. The City needs, therefore, some externally visible successes: a few nationally and/or regionally known retailers to start a reversal of the present stagnant retail environment.

Perhaps the best place to start, therefore, would be to undertake a recruiting effort for those retail businesses in categories that are most deficient in the community, primarily to go into existing empty retail spaces, but some to be "built out" on already appropriately zoned property. The recommendations that follow are based not only on retail category deficiencies . . . but on the type of stores that, under the right circumstances, have a good chance of being successful in Loma Linda. For purposes of openness and objectivity we have not considered any political ramifications of our recommendations , only how they would be received by a majority of the citizens and how successful the choices would probably be for the retailers involved.

A good place to start is probably with the eating establishment group. Excluding the "white tablecloth" category completely, there are obvious voids and, in our judgment, excellent opportunities. We would recommend initiating a recruiting effort for one or more "name" coffee shop/casual dining restaurants such as Baker's Square, Coco's, Carrow's or International House of Pancakes.

It is our judgment that there are significant opportunities for additional fast food restaurants in the community. We are not aware of any city of over 20,000 people in California that has **no** McDonald's, **no** Jack in the Box, **no** Carl's Jr.. **no** Wendy's and **no** Burger King. Most have several of these restaurants. Even though there is a fairly large vegetarian population in the City, there are enough non-vegetarian residents and day-visitors to the City to support two or more of these types of restaurants.

Although there are a couple of local pizza restaurants, the population would seem likely to support at least two more . . . particularly if they are national names. We would recommend investigating Pizza Hut, Round Table, GodFather's Pizza and Little Caesar's. It should be noted that all these pizza establishments, with the exception of Little Caesar's (which is a "take out") would want to be able to serve beer and wine.

In the general merchandise area it is possible that a popular-priced chain or discount store might be recruited . . . if the site was appropriate and it was close to Redlands (probably on Redlands Blvd.) Penneys is doing a few smaller, free-standing stores and they are worth targeting. The same is true for Target. Ross Stores and T J Max might also be worth approaching. All these stores carry a lot of general merchandise and could help to fill in part of Loma Linda's deficiency on apparel sales.

PayLess Shoe Source should be a specific recruiting target. Their products fit the demographics of the community where there are no shoe stores and they could easily go into one of the existing empty spaces in centers on either Barton Road or Redlands Blvd.

Even though there are auto dealers in Loma Linda, there are no national or regionally known auto supply stores in the City. We would recommend approaching one or more of these stores. Best candidates in this field include Grand Auto Supply, Kragen's and Pep Boys. There are also some opportunities for recruiting some tire stores. There are quite a number of national and regional companies in this field including: America's Tire Company, "Big O", Tire Pros and others. They should be approached.

As we pointed out previously, there is virtually nowhere to buy hardware and building supplies in Loma Linda. In addition to satisfying local needs, the larger stores in this category could pull in taxable retail dollars from neighboring communities. Home Depot, Home Base, and Orchard Supply Hardware (now owned by Sears) are all worth exploring . . . even though at least two of them have stores that are not a great distance from Loma Linda. Either an Ace Hardware or a True Value Hardware store could also be supported in the community.

There are a variety of specialty store retailers who, although they do not represent overly large volume, could add to the convenience of residents of Loma Linda while being at least reasonably successful for themselves. A Hallmark card and gift shop is an example of this. Also a Radio Shack store. One of the "giant" bookstores, if located near Redlands might do very well. We're talking about someone such as Borders or Barnes & Noble. If one of these larger bookstores is not recruitable, one of the smaller-size book retailers should be recruited. Someone such as Waldon's. A national-name music and record store such as Sam Goody's or MusicLand should also be targeted. With the exception of a possible local operator who wants to try opening their own men's or women's specialty apparel store, we would not actively recruit in this category until most of the existing shopping center vacancies are filled and good traffic is being generated.

Statistically speaking, the City of Loma Linda can support another full-selection "name" supermarket. It should be located on the Redlands end of town with a prime location. It should be a "name" market such as Ralph's, Von's, Lucky or Safeway. They will, undoubtedly, want to carry a full selection of alcoholic beverages. If this is not possible then this opportunity should not be pursued.

As was pointed out previously, the auto center area provides a major boost to the City in terms of sales tax revenues. At the same time, the fact that nearly 50% of Loma Linda's taxable retail store sales come from this area create some risks . . . mostly in terms of what would happen if one of more of these dealers should leave the area. The best defense against this happening is (1) Do all that is reasonably possible to satisfy the needs of these dealerships and (2) Begin a campaign to attract more dealerships into this area. Without going into a complete listing, there are a number of dealerships within a 10 to 15 mile radius who are either "free standing" or part of less attractive auto dealer complexes. All these dealerships should be contacted about the Loma Linda auto center as soon as possible.

There is virtually no acceptable lodging in Loma Linda and very little in Redlands. If a site near the freeway could be committed to such a business, the opportunities abound. We would recommend pursuing a moderate-priced "name" facility such as Holiday Inn Express, Courtyard by Marriott, or Ramada Inn.

We firmly believe that all the categories of retail business, including specific stores recommended could be successful in Loma Linda under the right circumstances. The City of Loma Linda retail environment can be invigorated and an appropriate retail store mix can be developed. It will, however, require a strong commitment from the City Government, a willingness to be open to some potential compromises in existing formal and informal regulation and some potential financial incentives for the most desirable and/or needed retail stores. We will address some of these subjects in the Concluding Comments section that follows.

CONCLUDING COMMENTS

As we worked on gathering information for this summary report, we encountered some surprises we had not anticipated, along with some mixed feelings in terms of the recommendations we should make. On the one hand we encountered a City with major deficiencies in terms of the retail stores it had to serve its citizens. On the other hand there seemed to be a feeling among some of the City officials that the situation was not as serious as we believe it to be.

In working with about a dozen different communities throughout California in the area of retail enhancement, we have never encountered one with the breadth of retail store deficiency we encountered in Loma Linda. Not only is the taxable retail store "gap" considerable, the citizens of the community are being underserved and seriously inconvenienced by the absence of a variety of retail stores.

Identifying the most serious retail category deficiencies was relatively easy. Being able to convince the appropriate retailers to fill those deficiencies will be much more difficult.

Even though economic times have been fairly good in California the last few years, the competition among communities for good retail stores has been very intense. Most of the national and regional retail chains have a limited amount of expansion dollars and they are looking to spend those dollars in the communities where they feel they can get the greatest returns from potential customers . . . as well as getting the greatest cooperation from public officials.

Rightly or wrongly, the City of Loma Linda is not perceived as being friendly to business. While preparing this report we talked with a variety of retailers and developers in and outside the area. If they had any comments at all to make about the local government it was that "Loma Linda makes it tough to start a new retail business". This perception will not be easily overcome and is a major impediment to recruiting appropriate new retailers into the City.

In our judgment, one of the first things City Council members have to determine is whether some of the decisions they are making regarding potential retail development and enhancement are geared to serving the desires and wishes of a variety of constituents. Another thing they have to clarify is exactly what the parameters are for new retailers coming into the area. For example is Barton Road to be preserved primarily for business and professional offices? This is a policy that has to be clarified definitively and then acted upon consistently.

Some of the apparent restrictions on new retail in the area seem to be grounded on religious and/or philosophical grounds. It is certainly within the right of the City Council to impose such restrictions, but they should be clear about them, express them directly to the business community and then be consistent in their application. The liquor sales issue for example will need to be resolved as it relates to service in a "white linen" fine dining restaurant, but also in a hotel cocktail lounge or a golf course club house. Before the City embarks upon any serious retail recruiting there will need to be a firm resolution of policy in this regard.

We recommend that the City Council spend some time **in open session** discussing some of these issues. It is imperative that there be agreement from the council not only on the type of retailing it wishes to attract but, also, where it wants the retailers to be and what restrictions will be imposed upon them. If the council addresses these issues and is open to making at least some compromises, we believe the results will more than justify the efforts that are expended. If not, in our judgment, the taxable retail store gap will only grow worse . . .along with some important components of the quality of life of Loma Linda residents.

In the words of everyone's favorite baseball all-star/philosopher, Yogi Berra: "When you come to a fork in the road, take it!" In terms of retail development and retail store mix enhancement, the City of Loma Linda has certainly reached that fork. Major decisions need to be made now. We hope they will.